

### Multi-level governance of public investment 2017

Table 1. Facts and figures related to direct public investment

2014	General Government	Subnational governments
USD billion	55.5	52.9
USD per capita	1 560	1 488
% of GDP	3.5%	3.3%
% of public expenditure	8.8%	10.8%
% of total public direct investment	100%	95.4%

Source: OECD (2016), *Subnational governments in OECD countries: Key data*, 2016 edition (brochure).

Figure 1. Trends in direct public investment in Canada (2004–14)

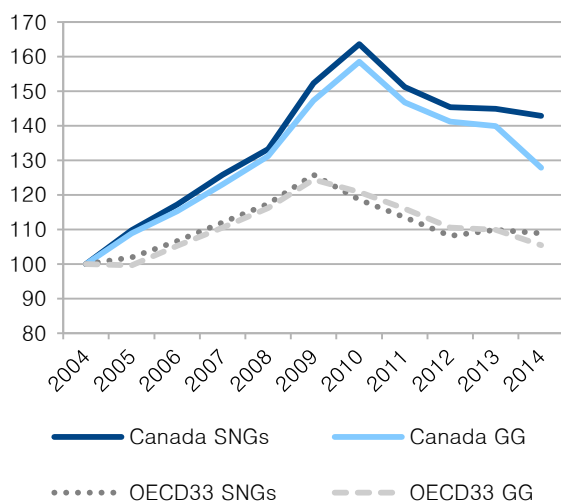
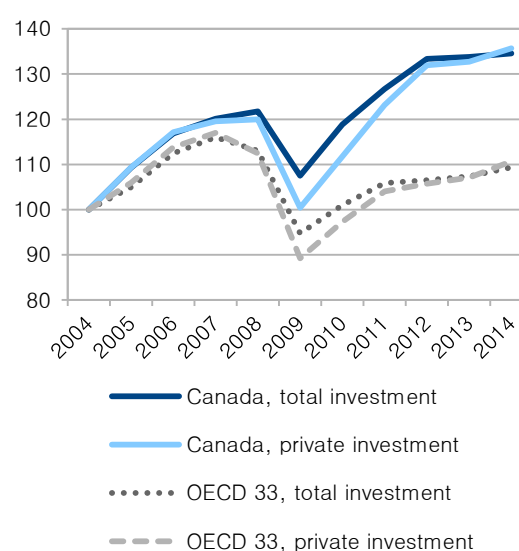


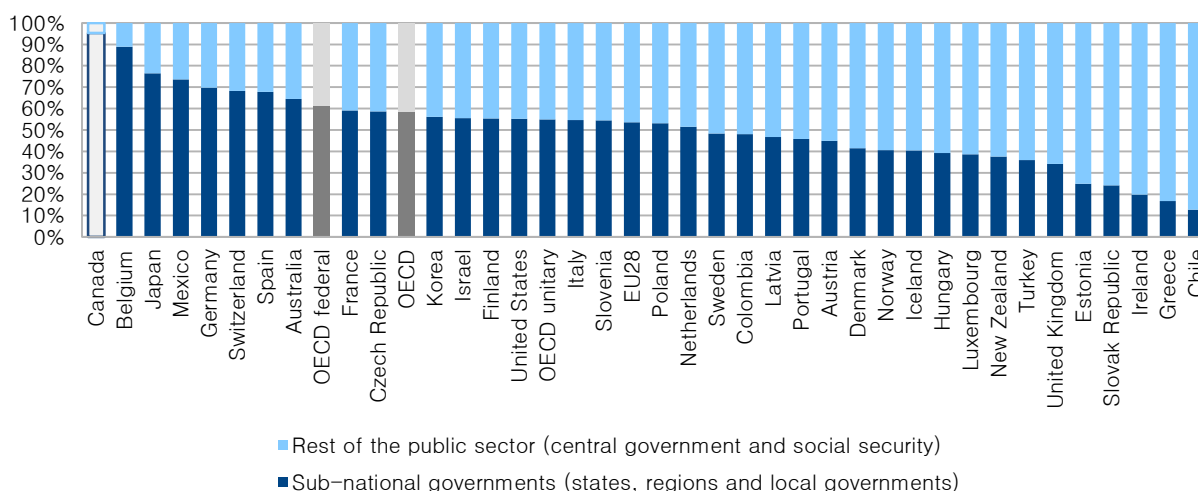
Figure 2. Trends in total and private direct investment in Canada (2004–14)



Source: OECD National Accounts. In real terms, base 100 in 2004.

Source: OECD National Accounts. In real terms, base 100 in 2004.

Figure 3. Subnational public direct investment in OECD countries, 2014 (as a share of public direct investment)



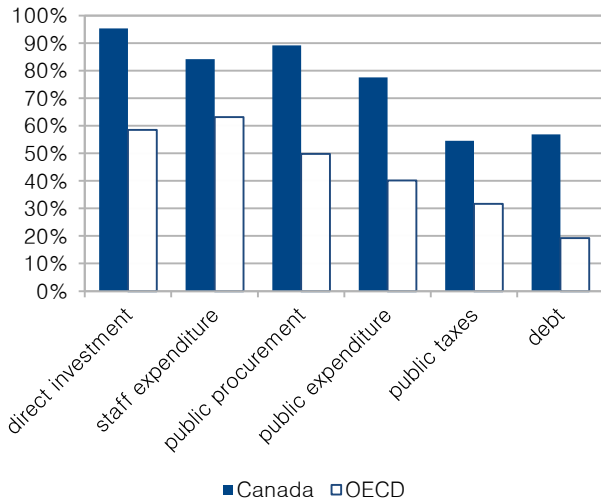
Source: OECD National Accounts.

Note: Data for Mexico: 2013 instead of 2014; Chile: 2012 instead of 2014; Turkey instead of 2014.

Canada is one of the most decentralised countries in the world, and a very large majority (over 95%)

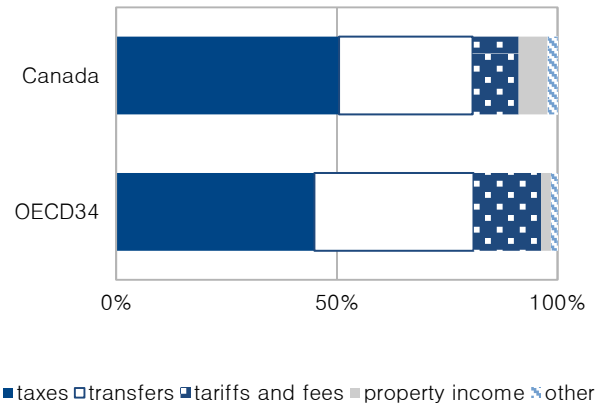
of investments are carried out by subnational governments (Figure 3). The share of subnational expenditure in Canada is much higher than the OECD average for all large categories of spending (total expenditure, investments, staff expenditure, public procurement). Subnational governments also have a much bigger share of revenues from taxes (Figure 4 and Figure 5), and rely on transfers from the central government. The share of SNG debt in total public debt is also the highest in the OECD.

Figure 4. The role of subnational governments in public finance in Canada, 2014



Source: OECD National Accounts.

Figure 5. Indicators of subnational fiscal revenues in Canada, 2014



Source: OECD National Accounts.  
 Note: OECD average without Chile.

# Examples of good practices or recent developments for effective public investment

## *Sectoral co-ordination*

The five Regional Development Agencies (RDAs) across Canada play an important role in ensuring that federal policies and programmes are tailored to regional economic realities and support improvements in business productivity, competitiveness and growth. The Western Economic Diversification Canada launched the Western Innovation Initiative (WINN) programme that provides financial support to qualified SMEs to help them accelerate the commercialization of innovative products, processes and services in Western Canada; the Federal Economic Development Agency for Southern Ontario (FedDev Ontario) Southern Ontario Prosperity Initiatives focuses on innovation, productivity and diversification. RDAs work also with other federal departments, agencies, provincial governments and academia to strengthen SMEs' innovation, commercialization and growth. RDAs collaborate with the private sector in two different ways: (1) to consider the needs of businesses when developing programmes and (2) to work in partnership with banks and other private institutions to facilitate access to capital for firms.

## *Regulatory coordination*

In Canada, a Federal, Provincial and Territorial Working Group on Regulatory Reform acts as a forum to develop government's capacity to produce quality regulation and encourage regulatory co-operation across jurisdictions. Its work includes developing common regulatory principles, developing a consistent approach to regulatory impact analysis and sharing best practices.

## *Coherent planning*

The 2014 New Building Canada Plan builds on the Government of Canada's investments in infrastructure and provides stable funding for a 10-year period. It supports projects that enhance economic growth, job creation and productivity.

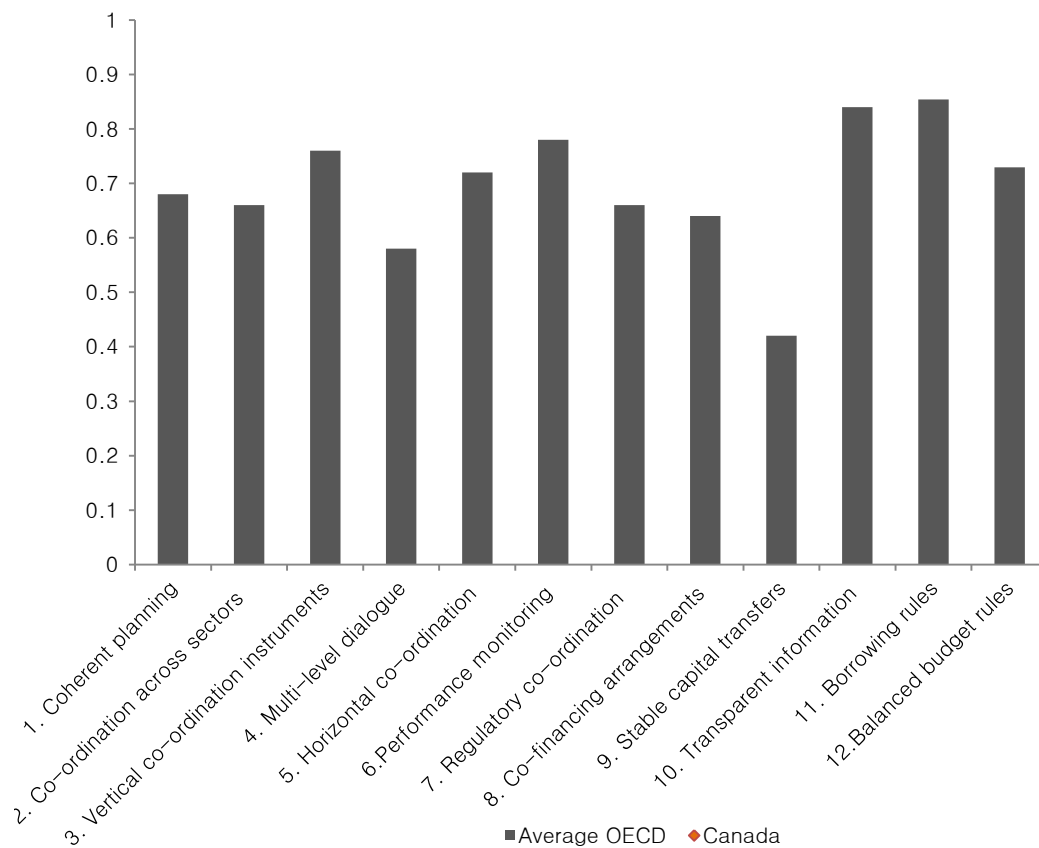
- Building Canada Fund: provided funding for municipal infrastructure projects, particularly in smaller communities from 2007 to 2014. It focused on improving infrastructure in areas such as water, wastewater, culture and recreation;
- Canada 150 Community Infrastructure Program: supports projects that rehabilitate existing community and cultural facilities across Canada, including projects designed to promote the Government's priorities to ensure a better future for Indigenous peoples and promote a clean growth economy. A part of the federal government's celebration of Canada's 150th anniversary of Confederation in 2017, this program responds to the significant demand for community infrastructure improvements;
- The Municipal Rural Infrastructure Fund aimed at improving the stock of core public infrastructure for municipalities with populations of less than 250,000 in areas such as water, wastewater, culture and recreation, from 2004 to 2015.

## *Monitoring and evaluation*

The RDAs developed specific indicators in order to monitor the effectiveness of their interventions. The indicators are not the same among different RDAs; they are developed specifically for their programmes and needs. Moreover, each programme has its own strategic management framework. In addition, all programmes have to be evaluated every five years, against various criteria such as effectiveness, continuity, efficiency and results. Another tool for evaluation is the Management Accountability Framework, which is a key tool of oversight that is used to help ensure that federal departments and agencies are well managed, accountable and that resources are allocated to programs and projects that would deliver the best results.

## Preliminary indicators of MLG of public investment for regional development

Figure 6 . Indicators for the co-ordination of public investment for regional development



*Note:* See Annex 1 for more detail on the indicators.

*Source:* OECD (2016b), Answers to the Regional Outlook Survey and OECD (2016c).

# ANNEX 1

## Indicators for the co-ordination of public investment for regional development

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### 1. Coherent planning across levels of government

The country has regional development policies/strategies to support regional development and local investments.

- a No explicit national policies to support regional development
- b Explicit national policies to support regional development in all or parts of the country
- c Explicit national regional development policies completed by regional investment strategies aligned with it

### 2. Co-ordination across sectors in the national planning process

The country has mechanisms to co-ordinate across sectors national policies and investment priorities for regional development

- a No mechanism
- b At least inter-ministerial committee and/or cross-ministerial plan
- c Inter-ministerial committee and/or plan + other mechanisms

### 3. Vertical co-ordination instruments

The country has mechanisms to ensure co-ordination across levels of governments (regional development agencies, national representatives in subnational governments, and contracts or agreements)

- a None of these
- b At least one of these mechanisms
- c At least one of these mechanisms involving many sectors

### 4. Multi-level dialogue to define investment priorities for regional development

The country conducts regular dialogue(s) between national and subnational levels on regional development policy including investment priorities

- a No regular dialogue
- b Formal or ad hoc dialogue
- c The platform has decision-making authority

### 5. Horizontal co-ordination across jurisdictions

The country has formal horizontal mechanisms/incentives between subnational governments to co-ordinate public investment

- a No mechanisms
- b Formal horizontal co-ordination mechanisms at the municipal level
- c Formal horizontal co-ordination mechanisms at the municipal level and other subnational levels (state, regions)

### 6. Performance monitoring and learning

The country has mechanisms in place to monitor and evaluate regional development policy

- a No mechanisms
  - b The country has indicators to monitor the effectiveness of regional development policy
  - c The country has conducted evaluations of regional development policy
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## 7. Regulatory co-ordination across levels of government

The country has mechanisms to co-ordinate regulations across levels of government

- a No intergovernmental co-ordination mechanisms
- b Formal co-ordination mechanisms between national/federal and state/regional governments
- c Requirement of national government to consult subnational governments prior to issuance of new regulations that concern them

## 8. Co-financing arrangements across national and subnational levels

There are co-financing arrangements for public investment

- a No co-financing arrangements
- b Co-financing arrangements exist but funds are not tracked
- c Co-financing arrangements exist and funds are tracked

## 9. Subnational governments benefit from predictable capital transfers over time

Variations in total capital transfer from one year to the next

- a Large variation: more than 20%
- b Medium variation: between 10% and 20%
- c Little variation: less than 10%

## 10. Transparent information across levels of government

Subnational fiscal situation is publicly available

- a Not available for any type of subnational government
- b Available for regions/states/some level of subnational government only (on an individual basis)
- c Available for each subnational government individually

## 11. Fiscal stability: rules for subnational governments

There are limits on subnational borrowing

- a No limits on subnational government borrowing
- b Non-binding borrowing constraints
- c Binding borrowing constraints

## 12. Safeguarding capital spending at subnational level

Balanced budget rules protect subnational capital spending

- a No balanced budget rule
  - b Balanced budget rule with no exception for capital spending
  - c Balanced budget rule protecting capital spending (type golden-rule)
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# ANNEX 2

## Definitions and sources

### *Definitions:*

- **General government (S.13):** includes four sub-sectors: central/federal government and related public entities (S.1311) federated government ("states") and related public entities (S.1312) local government i.e. regional and local governments and related public entities (S.1313) and social security funds (S.1314). Data are consolidated within S.13 as well as within each subsector (neutralisation of financial cross-flows).
- **Subnational government:** is defined here as the sum (non-consolidated) of subsectors S.1312 (federated government) and S.1313 (local government).
- **Direct investment:** includes gross capital formation and acquisitions, less disposals of non-financial non-produced assets. Gross fixed capital formation (or fixed investment) is the main component of investments.

### *Sources:*

Governments, Contracts for Regional Development, OECD Publishing.

OECD (2016a), Subnational governments in OECD countries: Key data, 2016 edition (brochure).

OECD (2016b), Regional Outlook Survey.

OECD (2016c), Overview and Preliminary Proposal on Indicators of Co-ordination of Public Investment for Regional Development, Room document discussed in the April 2016 RDPC meeting, unpublished material.

OECD (2015a), OECD National Accounts Statistics (database), <http://dx.doi.org/10.1787/na-data-en..>

OECD (2015b) Implementation Toolkit, Effective Public Investment Across Levels of Government <http://www.oecd.org/effective-public-investment-toolkit/>

OECD (2011a), OECD Network on Fiscal Relations across Levels of Government Survey on Sub-national Fiscal Rules and Macroeconomic Management, OECD, September 2011, updated in March 2015.

OECD (2011b), Regulatory Policy and Governance: Supporting Economic Growth and Serving the Public Interest, OECD Publishing.

<http://www.feddevontario.gc.ca/eic/site/723.nsf/eng/01690.html>.

<http://www.infrastructure.gc.ca/plan/nbcp-npcc-eng.html>.